

**CITY OF JACKSON,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2008**

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**CITY OF JACKSON, CALIFORNIA
SINGLE AUDIT ACT
FOR THE YEAR ENDED JUNE 30, 2008**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Council
City of Jackson
Jackson, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

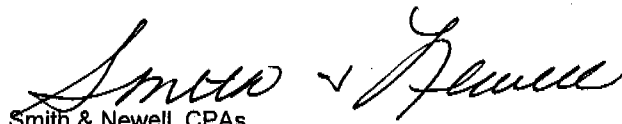
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the City in a separate report dated December 9, 2008.

The Honorable Mayor and Members of the City Council
City of Jackson
Jackson, California

This report is intended solely for the information and use of management, others within the organization, City Council, and Federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell, CPAs
Yuba City, California
December 9, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members of the City Council
City of Jackson
Jackson, California

Compliance

We have audited the compliance of City of Jackson, California (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-SA-01.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

The Honorable Mayor and Members of the City Council
City of Jackson
Jackson, California

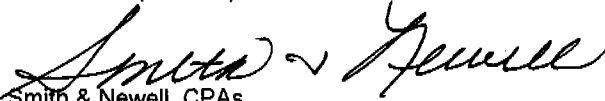
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jackson, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, City Council, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Smith & Newell, CPAs
Yuba City, California
December 9, 2008

CITY OF JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development			
HOME Investment Partnerships Program	14.239	04-HOME-0731	15,035
HOME Investment Partnerships Program	14.239	06-HOME-2372	<u>767,408</u>
Total 14.239			<u>782,443</u>
Total U.S. Department of Housing and Urban Development			<u>782,443</u>
<u>U.S. Department of Justice</u>			
Passed through Office of Emergency Services			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	<u>43,751</u>
Total U.S. Department of Justice			<u>43,751</u>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation			
Highway Planning and Construction	20.205	BPMP-5141 (009)	<u>17,160</u>
Total U.S. Department of Transportation			<u>17,160</u>
Total Expenditures of Federal Awards			<u>\$ 843,354</u>

See the accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF JACKSON, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Jackson. The City of Jackson reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements, federal award revenues are reported principally in the City's financial statements as intergovernmental revenue in the General and Special Revenue Funds.

4. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

5. LOANS OUTSTANDING

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2008:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.228	Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	\$ 400,556
14.239	HOME Investment Partnerships Program	5,577,327
	Total Loans Outstanding	<u>\$ 5,977,883</u>

CITY OF JACKSON, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Status

- | | |
|--|-------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | |
| All major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? | Yes |
| 4. Identification of major programs: | |
| 14.239 HOME Investment Partnerships Program | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs? | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

08-SA-01

**CITY OF JACKSON, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

08-SA-01 DISBURSEMENT OF FUNDS

Name:	HOME INVESTMENT PARTNERSHIPS PROGRAM
CFDA #:	14.239
Federal Grantor:	Department of Housing and Urban Development
Pass Through Entity:	Department of Housing and Community Development
Award No.:	06-HOME-2372
Year:	June 30, 2008

Condition

During our testing of the HOME program receipts, we noted three instances when program activity delivery funds were disbursed to the contractor by the City after the 15 day clock had expired.

Cause

City personnel did not monitor the payment of HOME program funds to ensure that funds were expended within 15 days of the date the funds were wired from the Federal Treasury.

Criteria

Per the State of California Department of Housing and Community Development Contract Management Manual, it is the responsibility of the HOME contractor to ensure that HOME funds are expended and paid out of the HOME contractor's local account within 15 days from the date that the funds are wired from the Federal Treasury. The wire date appears as the 15 day clock date on the remittance advice received from the State.

Effect of Condition

HOME funds were not expended within the required time frame as established by the State of California Department of Housing and Community Development Contract Management Manual and HOME program standard agreement.

Questioned Cost

Although the 15 day clock had expired, program activity funds were disbursed for eligible project costs. The total disbursements issued after the 15 day clock had expired were \$23,953.

Recommendation

We recommend that the expenditure of HOME funds be monitored closely to ensure that expenditures are made within the required time frame as established by the State of California Department of Housing and Community Development Contract Management Manual and the HOME program standard agreement. We further recommend that in the rare event that a payment may not be made prior to the expiration of the 15 day clock that the Town contact the State of California Department of Housing and Community Development HOME program staff and request an extension of time to make the payment.

Corrective Action Plan

Home Grant Funds will be monitored more closely to insure that all funds received are disbursed within the required 15-day clock period. Requests for disbursement of funds will be processed for payment at the time a drawdown request is submitted to the State of California Department of Housing and Community Development.

CITY OF JACKSON, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Audit Reference</u>	<u>Status of Prior Year Audit Findings</u>
07-01	DISBURSEMENT OF FUNDS Recommendation We recommend that the City implement a program to monitor HOME program funds to ensure that funds received are disbursed within the required time period, this includes loans, program activity, and program administration. Status Not Implemented

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